

# Memorandum

To : File

Date : August 12, 1985  
No. M-85-178

From : FAIR POLITICAL PRACTICES COMMISSION  
Kathryn Donovan

Subject : Advice to Diane Fellman of the Public Utilities Commission  
Concerning Disposition of Blind Trust Assests (Commissioner  
Priscilla Grew)

On August 9, 1985, Diane Fellman of the Public Utilities Commission requested advice on behalf of Commissioner Priscilla Grew concerning regulation 2 Cal. Adm. Code Section 18235. Commissioner Grew has an interest in a blind trust which complies with 2 Cal. Adm. Code Section 18235(b). The original assets of the blind trust include investments in companies engaged in activities regulated by the Public Utilities Commission. Regulation 2 Cal. Adm. Code Section 18235(b) (2) requires the trustee of the blind trust to have complete discretion to manage the assets of the trust, including the power to dispose of and acquire trust assets without notifying the public official.

Ms. Fellman has asked whether, in light of 2 Cal. Adm. Code Section 18325(b) (2), Commissioner Grew may direct the trustee to dispose of certain original trust assets for purposes of eliminating conflict-of-interest situations.

I advised Ms. Fellman that, notwithstanding 2 Cal. Adm. Code Section 18235(b) (2), Commissioner Grew may direct the trustee to dispose of original assets of the blind trust in order to prevent conflict-of-interest situations. The purpose of requiring the trustee to have complete discretion to manage the assets of the blind trust is to prevent the public official from knowing whether she has a financial interest in a governmental decision. However, since the official has knowledge of the original assets of the blind trust, the trustee's discretion to manage those trust assets does not prevent the official from knowing whether she has a financial interest in a governmental decision. Therefore, there is no logical reason to interpret 2 Cal. Adm. Code Section 18235(b) (2) to prohibit the official from directing the trustee to dispose of the original assets of the blind trust. Of course, the trustee must refrain from informing Commissioner grew about any replacement assets and must have complete discretion to manage those assets in order for the trust to continue to be a blind trust covered by 2 Cal. Adm. Code Section 18235.

KED:plh